

Message Text

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ACTION NEA-13

INFO OCT-01 IO-14 ISO-00 SAJ-01 OMB-01 COME-00 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 PA-04 PRS-01 USIA-15 SAB-01 DRC-01 EUR-25

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R 290940Z JAN 74

FM USINT CAIRO

TO SECSTATE WASHDC 5153

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

USMISSION GENEVA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY SANAA

C O N F I D E N T I A L CAIRO 445

E.O. 11652: GDS

TAGS: EGEN EG

SUBJECT: ECONOMIC LIBERALIZATION IN EGYPT: NEGATIVE REACTION
TO PROPOSAL TO ALLOCATE PERCENTAGE OF PUBLIC SECTOR
COMPANIES FOR SALE.

REF: CAIRO 391

1. REFTEL NOTED SAUDI INTEREST IN EGYPT'S ECONOMIC LIBERALI-
ZATION, INCLUDING POSSIBILITY THAT UP TO 49 PERCENT OF PUBLIC
SECTOR INDUSTRIES MIGHT BE OFFERED FOR SALE ON SHAREHOLDING BASIS.

2. IN SUBSEQUENT CONVERSATIONS, KNOWLEDGEABLE EGYPTIANS,
INCLUDING THOSE INVOLVED IN GOE'S ECONOMIC AFFAIRS, HAVE
POINTED TO DEBATE ON SUBJECT IN PEOPLES ASSEMBLY ON
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DECEMBER 30 TO SUGGEST THAT THIS IS NOT LIKELY TO OCCUR

IN THE NEAR FUTURE.

3. AS REPORTED ON FOLLOWING DAY BY LOCAL PRESS, ASSEMBLY DEBATE FOCUSED ON PROPOSAL BY ASSEMBLY'S PLANNING AND BUDGET COMMITTEE TO OFFER 49 PERCENT OF PUBLIC SECTOR COMPANIES TO PRIVATE SECTOR INVESTORS, INCLUDING NON-EGYPTIAN ARABS. HEATED DEBATE APPARENTLY BROKE OUT OVER ISSUE, WITH INES BEING FAIRLY CLEARLY DIVIDED BETWEEN OPINION FOR, SUPPORTED BY MANY EGYPTIANS WHO HAVE HELD PRIVATE SECTOR JOBS, AND OPINION AGAINST. LATTER VIEWPOINT, ENDORSED BY ASSEMBLY'S DEPUTY SPEAKER OTAIFI, WAS BASED ON GROUNDS THAT PROPOSAL CONFLICTED WITH CONSTITUTION, AND THAT EGYPT'S EXPERIENCE WITH PRIVATE CAPITAL INVESTMENT IN GENERAL AND CAPITALISTS IN PARTICULAR HAD NEVER BEEN A PARTICULARLY HAPPY ONE. UPSHOT OF WAS DEFEAT OF PROPOSAL.

4. SIGNIFICANCE OF EVENT IS ITS INDICATION OF THE EXISTENCE IN EGYPT OF A STRONG BODY OF OPINION AGAINST THE KIND OF LIBERALIZATION MEASURES WHICH FINANCE AND ECON MINISTER HEGAZI AND SADAT ARE KNOWN TO FAVOR. HOW STRONG THIS OPINION IS, AND HOW MUCH OPPOSITION IT CAN POSE TO THE NEW ECONOMIC TREND, ARE QUESTIONS THAT CAN BE BETTER ANSWERED WHEN EXTENT OF PREDICTED FORTHCOMING CHANGES IS MORE FULLY KNOWN. IT IS IMPORTANT, HOWEVER, THAT INFORMED EGYPTIANS POINT TO ASSEMBLY DEBATE AS HAVING AT LEAST TEMPORARILY PUT AN END TO ISSUE OF SALE OF PUBLIC SECTOR COMPANIES.
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30 JUN 2005

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